

TO: State Directors  
Rural Development

ATTN: MFH Program Directors, MFH Coordinators, and Loan Specialists

FROM: Arthur A. Garcia      *(Signed by James C. Alsop) for*  
Administrator  
Rural Housing Service

SUBJECT: Multi-Family Housing Loan Servicing and Portfolio Management Servicing  
Goals for Fiscal Year 2004

**PURPOSE/INTENDED OUTCOME:**

This Administrative Notice (AN) establishes ongoing loan servicing and portfolio management goals for Rural Development's Multi-Family Housing (MFH) loan servicing and portfolio management for the period October 1, 2003, through September 30, 2004. Direction on accomplishing these goals is outlined in the Multi-Family Housing Loan Servicing and Portfolio Management Plan for Fiscal Year 2004 (Attachment A).

**COMPARISON WITH PREVIOUS AN:**

No previous AN has been issued for fiscal year (FY) 2004 regarding this topic.

**IMPLEMENTATION RESPONSIBILITIES:**

State Directors and MFH Program Directors/Coordinators will review the attached Loan Servicing and Portfolio Management Goals and provide implementation for FY 2004. Training, implementation, and measurement of results will be considered while reviewing the present organization of the MFH program, strategic plans, training schedules, performance elements, and standards. All personnel involved in the administration of the MFH program will be utilized.

EXPIRATION DATE: September 30, 2004

FILING INSTRUCTIONS:  
Preceding  
RD Instruction 1965-B

Portfolio servicing will continue as the top priority in management of the MFH program. State Directors are to make the most effective and efficient use of personnel and automation resources in accomplishing the goals as set forth in the Loan Servicing and Portfolio Management Plan. Proper loan servicing also includes: borrower counseling, financial analyses, prudent property maintenance, and protection of residents' interests.

States are to implement the Loan Servicing and Portfolio Management Goals using applicable regulations, Agency instructions, and Administrative Notices. All servicing authorities should be utilized to the maximum extent possible to correct physical and financial deficiencies and cure loan delinquencies. Properties that are experiencing problems uncommon to the portfolio norm should be serviced using the following: Workout Plan Agreement, Change in Membership, Transfer, Reamortization, Consolidation, and/or Debt Settlement. The MFH Portfolio Management Division at the National Office should be contacted for guidance in cases without explicit guidance in the regulations.

Any questions regarding this AN should be directed to Melinda Price, Senior Loan Specialist, 202-690-0669, or [melinda.price@usda.gov](mailto:melinda.price@usda.gov).

Attachment



RURAL HOUSING SERVICE  
MULTI-FAMILY HOUSING

LOAN SERVICING  
and  
PORTFOLIO MANAGEMENT GOALS

FISCAL YEAR 2004

***MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT GOALS***  
***FISCAL YEAR 2004***

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# ***MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT GOALS***

## ***FISCAL YEAR 2004***

### **A. EXECUTIVE SUMMARY**

Proper asset management of the MFH portfolio begins with a thorough evaluation of the entire portfolio to obtain a clear understanding of existing and potential problems. Close monitoring, timely follow-up and a consistent administration of the regulations are beneficial in the resolution of problems and contribute to the stability of your program.

While during prior years the Agency has produced successes in the servicing and management of the MFH portfolio, FY 2004 will continue to present challenges. These challenges require staff at all levels to be better prepared and better informed. Staff must be provided with training, resources and support to meet these challenges. The mission, goals, and plan of action for effective loan servicing and portfolio management of the MFH program are described as follows.

### **B. MISSION STATEMENT**

The mission of the MFH program is to provide decent, safe, sanitary and affordable housing to very low and low-income rural residents. As the mission is realized, the program must also protect the government's security and taxpayers' investment by ensuring effective asset management.

### **C. GOALS**

#### **1. RECEIVERSHIP PROPERTIES: Reduce receivership periods to no more than 12 months.**

The oversight process of property held in receivership by the agency requires close monitoring and supervision by the National Office and affected State and Servicing Offices. This includes the review of property financial records such as monthly reports, year-end reports, and annual audits. Additionally, staff is responsible for review and approval of the payment of certain expenses.

Several receivership properties have special needs and need to be serviced within the parameters of a workout plan. Other properties require sales and/or other liquidation plans. To transition out of the receivership, it is necessary to focus efforts on obtaining new substitute general partners, transfers of ownership, or liquidate accounts.

**Measurement Tool:** MFIS TRK2000 – Servicing Effort Tracking Report

***MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT GOALS***  
***FISCAL YEAR 2004***

**2. INVENTORY PROPERTIES: Reduce inventory property-holding periods to no more than 12 months.**

Affected State Offices must review their inventory property portfolio and take necessary actions to effectively dispose of these properties. To accomplish this, all efforts should be given to marketing the properties, including reducing the price, sealed bids, or sale as a non-program property. All inventory properties should be managed and made ready for sale in the most expeditious manner using the authorities in RD1955-B and C.

The National Office should be contacted for assistance in the sale of a property experiencing marketing difficulties. Reports to the National Office on the movement of inventory properties will be requested on a case-by-case basis. States will be contacted to determine what efforts are being made to remove these properties from inventory and what assistance can be provided from the National Office.

The National Office will review the status of inventory properties by compiling AMAS reports and contacting States. This process will continue and be updated on a quarterly basis.

**Measurement Tool:** The National Office will review the status of inventory properties by compiling AMAS reports and then review the MFIS TRK 2000 – Servicing Efforts. States should input servicing data into the comment section of MFIS to provide updated status.

**3. DEBT SETTLEMENT LOANS: Use debt settlement authorities to reduce certain long-term delinquencies.**

A number of long-term delinquencies are the result of inactive accounts with loan balances remaining after the asset is liquidated (i.e., foreclosure, sale, or transfer for less than the debt, compromise offer, bankruptcy, etc.). These accounts need to be settled due to their negative impact on the overall MFH delinquency rate. State Offices are to immediately request assistance of the Office of General Counsel, the Assistant United States Attorney and/or the National Office when accounts in this category are determined to exist.

The National Office will run a monthly FOCUS report on inactive accounts to monitor progress and to determine whether National intervention is needed to expedite the process.

**Measurement Tool:** The national office will run a monthly FOCUS report on inactive accounts to monitor progress and determine whether National Office intervention is needed to expedite the process.

<p style="text-align: center;"><b><i>MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT GOALS</i></b></p> <p style="text-align: center;"><b><i>FISCAL YEAR 2004</i></b></p>
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**4. DELINQUENT LOANS: Maintain a delinquency rate of 2% or less.**

On December 31, 2001, the National delinquency average was again 1.7%. All States with delinquency rates that exceed 2% are required to work with borrowers and take appropriate servicing actions to reduce their delinquency rates to the National goal of 2%.

Borrowers who are consistently delinquent require aggressive servicing and counseling regarding late payments. If long-term delinquency is the result of pending litigation for liquidation, officials should be notified and encouraged to expedite such litigation. When States are experiencing difficulties with litigation officials or when the loan is part of a long-term workout agreement, the National Office should be contacted for assistance.

Any State with delinquency rates above the 2% National average will be closely monitored and contacted by the National Office to determine what efforts are being made to reduce the delinquency and to identify whether assistance or training is needed. Status reports may be required from those States identified as having problems. Similarly, Any States exhibiting a trend in increasing delinquencies may be required to submit an explanation.

Any instances of Servicing Offices holding payments and not processing them in a timely manner must be discontinued immediately. All payments are to be processed when received.

**Measurement Tool:** AMAS RC 545 Report

**5. OPERATING BUDGETS AND UTILITY ALLOWANCES: Review and approve all Operating Budgets and Utility Allowances prior to the beginning of the project's fiscal year.**

RD Instruction 1930-C, paragraph 1930.122 states that project budgets and/or utility allowances be prepared, reviewed, and approved in such a manner and timing that the approved budget and utility allowance, including changes become effective at the beginning of a fiscal year of project operations. This includes inputting all relevant data into MFIS.

**Measurement Tool:** MFIS TRK 3000 – Tracking Step Summary Report

<p style="text-align: center;"><b><i>MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT GOALS</i></b></p> <p style="text-align: center;"><b><i>FISCAL YEAR 2004</i></b></p>
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**6. ANNUAL BUDGET AND AUDIT REVIEWS: Complete all annual budget and audit reviews within the required timeframe.**

RD Instruction 1930-C, paragraph 1930.123(d) states that annual reviews should be completed in the last two months of a fiscal year or the first 2 months of the next fiscal year. The borrower is to be notified of the results of the review. MFIS is to be updated accordingly.

**Measurement Tool:** MFIS TRK 3000 – Tracking Step Summary Report

**7. ANNUAL PHYSICAL INSPECTIONS (WALKABOUTS): Complete all Annual Physical Inspection (Walkabout) at all properties.**

The purpose of the annual physical inspection (walkabout) is to quickly determine whether there are potentially serious problems that may require immediate attention. In addition, unless previously addressed during the supervisory visit, a determination should be made if the common areas are accessible as required by Fair Housing Law. Findings and follow-up are to be entered into MFIS.

**Measurement Tool:** MFIS TRK 3000 – Tracking Step Summary Report

**8. SUPERVISORY VISITS: Complete all scheduled Supervisory Visits, Triennial Physical Inspections, and Compliance Reviews as required.**

The Supervisory Visit includes the MFIS supervisory activities “triennial physical inspection”, the “supervisory visit” and the “compliance review”. The Supervisory Visit is the Agency's primary tool to complete in depth analysis of the borrower operations with regard to Management Plan/Agreement, Compliance, Fair Housing, tenant eligibility, file review, budget compliance, and building security and maintenance. The borrower is to be notified of deficiencies and given a timetable to CORRECT all problems. Findings must be entered into MFIS purposefully followed-up until RESOLVED.

**Measurement Tool:** MFIS TRK 3000 – Tracking Step Summary Report



<p style="text-align: center;"><b><i>MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT GOALS</i></b></p> <p style="text-align: center;"><b><i>FISCAL YEAR 2004</i></b></p>
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**D. ADDITIONAL AREAS OF REVIEW:**

**1. Reporting findings and violations.**

Quarterly reviews during FY 2003 indicate that most instances of program non-compliance are now entered into MFIS. However, some states reporting only a few findings and violations should elevate inspection analysis and reporting practices to assure that servicing routines are adequate. Servicing routines must assure proper discovery and report all borrower non-compliance. Also, all states are required to complete proper servicing actions in order to resolve findings.

**Measurement Tool:** MFIS FND 1000 – Project Findings Report

**2. Monitoring occupancy trends.**

State directors and MFH managers are to review MFH occupancy statistics on a quarterly basis to assure the portfolio exhibits positive trends. While market conditions may impact the accomplishment of positive trends, efforts must be made to use available resources as effectively as possible. These efforts include, but are not limited to;

- Maximizing RA usage.
- Minimizing vacancy rates.
- Monitoring number of tenants overburdened by housing costs.

**Measurement Tool:** MFIS 4100 – Vacancy Summary Report and MFIS PRJS 4200 – Occupancy Report

<p style="text-align: center;"><b><i>MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT GOALS</i></b></p> <p style="text-align: center;"><b><i>FISCAL YEAR 2004</i></b></p>
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**E. MONITORING THE MFH PORTFOLIO WITH MFIS**

MFIS enables the Agency to effectively manage the MFH portfolio and assure the proper use of Federal housing resources. Staffs at National, State and Servicing Office levels have immediate access to portfolio information in order to make better program management decisions, and more effectively deploy limited resources. Portfolio management provides a comprehensive view of borrowers, management companies, related properties, and servicing office jurisdictions.

Effective management decisions rely on the accuracy of information such as a property's physical and financial conditions, and the tracking and scheduling of supervisory activities and servicing efforts.

- State and Servicing Offices are required to input all servicing activities into MFIS. The State Office must monitor the MFIS activities of Servicing Offices to assure data is accurate, consistent, timely and complete. The State Office is responsible for assuring regulatory authorities are effectively used to manage the portfolio as well as determining whether Agency resources are effectively used to obtain optimum compliance.
- The National Office monitors portfolio management through MFIS and AMAS reports. A quarterly National Office review is used to measure the accomplishment of the goals contained in this Administrative Notice

**F. PLAN OF ACTION AND PERFORMANCE MEASURES**

Implementation of the Loan Servicing and Portfolio Management Plan and the accuracy of all data are the responsibilities of the State Director. The State Director will assign a person(s) with the responsibility of monitoring servicing activities, follow-up, and problem resolution as outlined in this plan.

In order to assure implementation of Fiscal Year 2004 goals and facilitate nationwide compliance in goal achievement, the following Performance Measures are recommended as an adjunct to the annual performance appraisal. The Performance Measures are appropriate for all MFH lead specialists, supervisors, coordinators, program managers, and others who are responsible for portfolio management. The Performance Measures provide accurate gauge of performance for actual portfolio management and achievement of goals. These measures establish accountability for accomplishment of specific tasks that will assure decent, safe, and sanity housing as well as protecting the government's security and taxpayer's investment in all properties.

<p align="center"><b>MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT</b></p> <p align="center"><b>PERFORMANCE MEASURES</b></p> <p align="center"><b>FISCAL YEAR 2004</b></p>
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### 1. RECEIVERSHIP PROPERTIES

GOAL - Reduce receivership periods to no more than 12 months.

#### MONTHS PROPERTY IN RECEIVERSHIP

OFFICE	FY 04		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Area 1						
Area 2						
Area 3						
Area 4						
Area 5						

### 2. INVENTORY PROPERTIES

GOAL: Reduce inventory property holding periods to no more than 12 months.

#### MONTHS IN INVENTORY

OFFICE	FY 04		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Area 1						
Area 2						
Area 3						
Area 4						
Area 5						

### 3. DEBT SETTLEMENT LOANS

GOAL: Use debt settlement authorities to reduce certain long-term delinquencies

#### ACCOUNTS THAT REQUIRE DEBT SETTLEMENT

OFFICE	FY 04		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Area 1						
Area 2						
Area 3						
Area 4						
Area 5						

[illegible]

<p align="center"><b>MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT PERFORMANCE MEASURES FISCAL YEAR 2004</b></p>
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7: ANNUAL PHYSICAL INSPECTIONS (WALKABOUTS)				
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GOAL: Complete all Annual Physical Inspections (Walkabouts) at all properties.

			<b>WALKABOUT INSPECTIONS COMPLETED</b>
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## 8. SUPERVISORY VISITS

GOAL: Complete all scheduled Supervisory Visits, Triennial Physical Inspections, and Compliance Reviews as required.
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			SUPERVISORY COMPLETED
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**MFH LOAN SERVICING AND PORTFOLIO MANAGEMENT  
PERFORMANCE MEASURES  
FISCAL YEAR 2004**

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